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SUBJECT: The German Scene at the Turn of the Year ARMY-4, NAVY-4, AIR-6, OCB-2

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SUMMARY AND CONCLUSIONS *

The main German development of 1960 was a marked increase in self-reliance and independence. Growing economic strength, political consolidation, and continued military build-up combined to give the Federal Republic additional confidence and the disposition to speak with a louder voice in Western councils. This was not due to any fundamental change in the factors underlying German attitudes and policies. These factors remained essentially the same as in 1959: The booming prosperity still provided the basis for internal stability. The Soviet and GDR threat to Berlin gave unremitting emphasis to the dependence of the Federal Republic on its allies for its international security. Adenauer remained the controlling influence at the center of political life, his political instincts still acutely alive.

The Germans themselves after a second year of sustained pressure against Berlin were more than ever committed to a policy of the status quo. Reunification was more than ever a remote goal, kept alive as an immediate political issue by the refugee organizations and by the requirement recognized by all parties not to antagonize the refugee voters in an election year. To uphold the status quo, the Germans depended on the American alliance and NATO, but they were increasingly disturbed by the implications for NATO of France's policies and continuing difficulties, as well as by the inability of the United States thus far to halt the disruptive trends within NATO. They feared that U.S. economic difficulties or strategic reassessment might lead to withdrawal of American military power from the continent.

The Chancellor's fundamental principles and policies, and his conception of his own role in history remain unchanged. His self-confidence, fed by the conviction that his grasp of the political verities has been fully vindicated by the events of recent years, is unimpaired. At 85 he still identifies his exercise of political power with the well-being and destiny of the German people. He sees his victory in the coming elections as necessary to the continued security and prosperity of the country. He is convinced that Communist power must be unfalteringly opposed by Western power anchored in the American alliance, NATO and Franco-German solidarity, and that the security of the Federal Republic and of the West would be gravely endangered if the SPD were to take over or even share the reins of power. He believes that general controlled disarmament must remain a key objective of the West.

During the last part of the year, however, it became more difficult than usual to follow the apparent workings of the Chancellor's mind.

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* The section "Summary and Conclusions" of this report was sent to the Department by Airgram G-851 of February 10, 1961.

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Certain general considerations were undoubtedly strongly influencing his political behavior: e.g., (1) the thought that a serious crisis with the East must be avoided during the last months of the old, and the first months of the new, American administration; (2) the compulsion not to alienate important voter and interest groups with the Bundestag elections coming up in 1961. The requirements of domestic and foreign policy were not always easy to reconcile, and this presumably explains some of the apparent contradictions in the Chancellor's course in recent months. Thus, after dealing roughly with Economics Minister Erhard and after subjecting him to new public humiliation in late summer, the Chancellor adopted at critical phases of trade negotiations with the USSR and with Pankow the policy advocated by Erhard and the Economics Ministry. And although his electoral strategy is to accentuate foreign and defense policy differences with the SPD, he brought the SPD into consultation to an unprecedented degree on a major foreign policy question - the Interzonal Trade Agreement issue.

In general, 1960 was a year of an enlarged German role in NATO. The Federal Republic showed that it was becoming ever more ready to use its full weight to achieve its ends within the NATO alliance and to play a full part in Western councils. This more assertive attitude derived not only from the buildup of the Federal Republic's armed strength, from the knowledge that the Federal Republic has one of the strongest economies in the world, from the knowledge that its economic strength puts it in a position of being courted - or reckoned with - by its Allies, but also from the feeling that the Federal Republic is now a full-fledged state having its own role to play. This does not reflect an upsurge of traditional "nationalism", but rather a consciousness of the strength - political, psychological, economic and military - which the Federal Republic now has, and wishes to use in its own interests. This development does not mean that the Federal Republic wishes to play a go-it-alone role, but it does mean that it expects to be treated as a full partner within the Atlantic Alliance.

German prosperity, one year older, and taken that much more for granted as an ingredient of the Bonn democracy, was subjected to new scrutiny during 1960. Formerly a satisfying luxury, German prosperity was now somewhat conspicuous against the backdrop of the adverse American balance of payments situation. The challenge to the Federal Republic to make a greater financial contribution to her own security and to the broad purposes of the free world was regarded both as an onerous, disagreeable burden and as an opportunity for achieving enhanced international status and influence.

In general, these developments during the past year made the Federal Republic a more difficult, more self-assertive partner. At the same time, the American alliance remained the foundation of German foreign policy and

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security, all the more so because the Franco-German partnership - in spite of the Chancellor's hopes and desires - did not particularly prosper. There was growing awareness of the weakness of France, increasing concern over the lack of substantial French contribution to continental defense, and resentment at the halting of German ships on the approaches to Algeria. De Gaulle's position on Europe and the Six, on the integration of forces within NATO, on atomic weapons, - to name only the most obvious difficulties - all helped thwart the Chancellor's wishes for an ever closer association with France.

Offsetting to some extent these increased difficulties in the Franco-German relationship was the fact that relations with Great Britain, which had reached a low point toward the end of 1959, showed steady improvement. The Chancellor began during 1960 to manifest real concern about achieving an adjustment of Great Britain to the EEC, and German suspicions of the firmness of the British position on Berlin and related questions were substantially allayed by events culminating in Macmillan's effective defense of the Federal Republic and his presentation of the Western position on Berlin at the United Nations General Assembly. However, in the Chancellor's view, close British relations cannot be a substitute for close Franco-German relations, because German military security is much more dependent on France than on Britain. Meanwhile, Germans take comfort in the belief that there is very little resentment in France against Germans and that the popular bases for an entente cordiale with France really do exist.

German relations with the USSR have become somewhat more fluid and more obscure, as the Chancellor, caught between different external and internal currents and pressures, has sought to achieve a certain maneuverability within the limits in which he finds himself circumscribed. On the one hand, he has directed his efforts to keeping the temperature with regard to Berlin as low as possible, because of (1) the uncertainty, still widespread in Germany, whether the Allies are prepared to face war in defending Berlin, (2) the necessity to ride through the transitional period of the American elections and the establishment of a new relationship with the new American government, and (3) his desire to avoid troubles during his own electoral campaign. On the other hand, as a result of the Brandt candidacy, and the increasing importance which maintenance of a strong Berlin position has been playing in SPD electoral strategy, he has found himself under pressure to take a tough line particularly toward the USSR and the GDR, but he adroitly reduced the political risks of his denunciation of the Interzonal Trade Agreement in September by bringing the SPD into intimate association with this policy.

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The question of an altered Polish or Czechoslovak policy remained largely quiescent; it was taken as axiomatic that improvement in the relations would result in the alienation of the refugee vote in the coming elections. However, by the end of the year there were indications that, despite these domestic electoral considerations, some slight move toward improvement of relations with Poland might be in the offing.

1960 was also a year of increasing awareness by the Federal Government of the need for the Federal Republic to share responsibilities for aiding the developing nations and of the consequent political advantages. Although this topic received continuing publicity through news media and through semi-private organizations, it still cannot be considered a widely popular cause. Effective action on the establishment of a government aid program was hampered by electoral considerations. Nevertheless there were strong indications that the Federal Republic's commitments in this field would increase, and that its relations with the "colonialist" members of NATO would become more complicated as it became a more active participant in African, Asiatic, and Latin American affairs.

Although the signs a year ago pointed to a deepening of party differences as the maneuvering for advantage in the 1961 elections intensified, there has been on the contrary a lessening of the gulf between the parties on foreign policy, and more recently, but to a more limited extent, on defense policy. Khrushchev's conduct at the Paris Summit in May caused Germans generally to see an alarming parallel between his personality and that of Hitler. The harassment of Berlin, the evidence, particularly in early fall, of an erosion of the Allied position in Berlin, the uncompromising attitude taken by the Communists, combined to bring the bulk of the SPD around to a position closer to that of the Government than heretofore.

INTERNAL AFFAIRS

1. Adenauer and the CDU/CSU

In contrast to 1959, 1960 was a year of CDU/CSU unity, conformity and acquiescence to the will of Adenauer. There was no internal violence even remotely comparable to the battering the Chancellor gave Erhard in the summer of 1959. The Minister-President of Württemberg-Baden, Kiesinger, in the fall of 1959 gave the keynote for 1960 when he said: "The old gentleman wants to rule alone, and since he has previously done a good job of it, we want to indulge him in it." With elections in the offing, and the expectation that Adenauer would lead the CDU through the elections, all

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domestic political logic pointed toward a continued submergence of differences within the party. The prevailing prosperity, and the aura of success surrounding the government, combined to make internal opposition within the party an unrewarding enterprise without appeal to practical politicians. Meanwhile, the same external factors, which caused the SPD and FDF opposition during the year to draw closer to the Government's foreign policy position, also dampened the ardor of those CDU deviationists who had been seeking an alternative foreign policy line. CDU deviationism, as typified by Gerstenmaier, a major political factor in 1959, ceased to have any immediate importance in 1960.

No new political talent emerged as a serious competitor for the eventual succession, but the ranks of the contenders were thinned out. Etzel, the Chancellor's former favorite, dropped from the running, while Schroeder and von Hassel damaged their chances by political ineptitude. The times were not propitious for Gerstenmaier, who restrained himself from seeking the limelight. This left Erhard, Strauss, and Krone as the main figures at the level just below Adenauer. Although the Chancellor made it evident on a number of occasions that he entertains little good will toward Erhard, and although doubts about Erhard's political sagacity became more prevalent even among his political friends, his general popularity, buttressed by a friendly press, by strong support within the business community, and by the effectiveness of his own Economics Ministry, held up remarkably well. At the end of the year, the CDU/CSU electoral strategists headed by Krone thought they had persuaded the Chancellor to go along with their view that the Party must present to the country in 1961, not the name of Adenauer alone, but the team of Adenauer-Erhard. (In a speech on January 15, 1961, Krone announced this as the view of the party leadership including the Chancellor, and a few days later the CDU/CSU Bundestag Fraktion endorsed the team of Adenauer-Erhard; but the Chancellor has so far made no public statement committing himself in this sense.) Strauss' personal strategy - to bide his time, to wait upon events, to leave the field meanwhile to Erhard - was in accord with this development.

2. The SPD

There have been three main developments within the SPD during the past year. The first was the decision that Willy Brandt would be the party's candidate for Chancellor in the 1961 elections. The second was the call for a joint foreign policy. The third was the adoption at the National Convention at Hannover of a flexible defense resolution which avoided explicit rejection of atomic arms for the Bundeswehr within the NATO framework. These developments were dictated by a realization of the bankruptcy

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of the previous SPD policy, as exemplified in its Deutschland Plan, and by electoral expediency. Herbert Wehner, whose personal ascendancy in the party markedly increased during the year, was the chief architect and promoter of these changes. They did not come about without serious internal strains, and the National Convention at Hannover showed how strong were the emotional preferences of a large portion of the rank and file for the old policies even though the majority went along with the new direction. There are rumblings of discontent within a number of local organizations of the party as constituencies pick their candidates for the next Bundestag. However, the left wing is lacking in outstanding leadership and the bureaucratic character of the party organization tends to keep potentially recalcitrant functionaries in line. Consequently, present indications are that no major split in the party will develop in this election year, although the fissure between left and right wings could become much greater if the party under the Brandt leadership does relatively badly in the elections.

Brandt's strategy is to achieve an improvement of the SPD position by electoral methods which leave the way open for a "great" coalition with the CDU/CSU. This strategy is based on the assumption that events in the international sphere are likely to shape up in such a way as to make obvious the need for a demonstration of national unity against the external threat from the East.

The Chancellor has taken a firm position against great coalitions both at the Federal and Land levels. Whereas there were 5 Land governments in 1959 in which CDU and SPD were joined in coalitions, by the end of 1960 there was only the one great coalition government, in West Berlin.

3. The Smaller Parties

In general the trend was away from the multi-party system. The Deutsche Partei (DP), faced with the prospect of losing its parliamentary representation in 1961, split apart, the majority of its Bundestag delegation going over to the CDU, leaving only three parties, CDU/CSU, SPD and FDP with Bundestag representation as Fraktionen. Preliminary efforts were made by the BHE to fuse with remnants of the DP, particularly in Lower Saxony, in the hope of re-emerging with Bundestag representation after the 1961 elections. The leading CDU political strategists calculate that the BHE is an ephemeral movement without a durable future. The FDP, on the other hand, which is regarded as still having a future as a minority liberal party, is counting on an electoral result in 1961 which will make it necessary for the CDU/CSU to form a coalition government with FDP support.

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practically dictates a policy of "let bygones be bygones", and "let sleeping dogs lie". They are consequently much disturbed by the prospect that the forthcoming Eichmann trial will stir up a new wave of accusations and innuendo. But in their interpretation of the rule of law, they tend to take an over-formalistic attitude which ignores, sometimes to the point of obtuseness, the impression which is created abroad.

In measurable terms only the Deutsche Reichspartei wooed the German voter. But the DRP polled only 1.1% in the recent Rhineland-Palatinate communal elections. There was virtually no hard evidence that the West German voter saw right-radicalism as a solution to his problems, and present indications are that it will play a very slight role in the coming Federal elections.

On the positive side, the Federal Republic took some steps to counteract the domestic appeal of right-radical elements, as for example by re-examining the place of contemporary history in the educational curriculum.

Actually, there is no evidence that there has been during the past year a resurgence of Nazi or neo-Nazi sentiment among the substantial segment of the population who were implicated in one way or another with the Nazi regime, either as NDSAP party members, as sympathizers, or as government employees. Their interests by and large are tied to the present order; they hope to complete their careers and lives without further penalties and eventually to draw their pensions as citizens in good standing.

5. The Parliamentary Year

From the legislative point of view, 1960 was not a productive year. It was notable more for the measures which were stalemated - the constitutional amendment on emergency legislation, the compulsory service bill, health insurance reform, the exit and entry control bill, reform of the penal code, and so forth - than for those which passed. The Bundestag achieved more distinction as a forum for debate on international economic and political matters, culminating in the foreign policy debate of June 30, in which the SPD leadership formalized the party's commitment to a pro-Western, pro-NATO policy. In general, however, the parliament generated little initiative. Although his critics accused the Chancellor of authoritarian ways and scorn for democracy, the basic democratic forms continued to be respected and the continued strong leadership of the Chancellor gave stability to the state.

As the Parliamentary year ended, the deputies were still in a quandary as to what to do about holding a Bundestag meeting in Berlin. No early decision is expected.

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6. The Labor Scene

In the labor sphere, the year 1960 was characterized by industrial peace, extensive collective bargaining successes for the unions, and political repose. Union energies were concentrated on securing economic betterment. Public argument on labor subjects was largely in terms of wages, prices and monetary stability. Continuing further the trend of the past several years, the thoughts, actions and language of the unions tended to be progressively less doctrinaire, less uncompromising, and less impractical.

Union leaders remained concerned over ever-increasing Soviet Zone penetration efforts. Although the extent of infiltration is not readily ascertainable, it was probably little, if any, more successful than in earlier years.

There was some squabbling within the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB), in 1960, but this was not serious. Arguments developed between the metal workers (the most powerful union - 1.8 million members) and some of the other DGB constituent unions over the extreme Socialist line (including nationalization of industry) taken by the former at their October convention in Berlin and the suggestion made at the convention that political strikes might in some circumstances be justified. There was also a sharpening of tensions between the small minority of Christians and the large majority of Socialists in the DGB over the issue of SPD predominance in the DGB. A microscopic Christian splinter broke away from the DGB, but the bulk of the Christians stayed.

The reactions of many of the other unions to the metalworkers' convention revealed wide differences within the West German labor movement on economic and social policy and contradictory attitudes toward the SPD's moderate Godesberg program. Union estimates of the SPD's electoral prospects and the practical benefits to workers that would flow from an SPD victory varied greatly. Seeing that the airing of these differences would embarrass the SPD in an election campaign, the DGB Executive Board has attempted, so far successfully, to postpone debate on reform of the orthodox socialist DGB basic program adopted in 1949. The Board is under instructions from the 1959 DGB Congress to work out revisions.

The DGB remained officially neutral in politics and committed to the doctrine of trade union unity, though its leadership and its outlook continued to be largely socialist. For the most part, its actions were only indirectly political. Two events were, however, of general political significance: the inclusion of DGB Chairman Willi Richter's name in the SPD "shadow cabinet" list in September, and metalworkers'

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chairman Otto Brenner's call for a socialist society in October. The CDU pounced on both of these developments, and for a time it looked as if the CDU intended to make the DGB a whipping boy in the coming Bundestag election campaign. However, rough treatment of these men subsided before the end of the year.

There were no union-sponsored strikes (only wildcat strikes) in West Germany in 1960, and man-days lost through strikes were probably at a record low (official statistics are not yet available).

Due in large part to the high level of employment and increasingly better working conditions that have come in the wake of the West German boom (and also, to some extent, due to the stabilizing influence of Western steadfastness over Berlin), there was a relatively wide measure of economic satisfaction and political tranquillity in the labor movement throughout 1960. It was made clear, however, in the New Year messages of union leaders that the unions intended to take advantage of the labor shortage (which in 1960 necessitated further importation of foreign workers, whose number in Germany at the end of the year totaled about 300,000) and mounting profits to press for still better terms of work in 1961. The declared objective now is to enlarge the proportionate slice of the economic pie allotted to wages, at the expense of profits and investment.

The 1960 labor development of greatest potential effect on the long-term position of the German working population was the collective agreement, signed in July, between the metalworkers' union and the metal industry employers' association, providing for a reduction, by stages, in the length of the work week to 40 hours in 1965. Since the metalworkers in Germany, like the steel workers in the United States, traditionally lead the way, this agreement was regarded as a great breakthrough for the labor movement.

Union consciousness of the need to help facilitate the emergence of free, healthy labor movements in the developing countries, particularly in Africa, grew steadily throughout 1960. By the beginning of 1961, activity and reflection on this subject at the top union leadership level bordered on zeal. Conviction was strong that the contributions of free Western unions to the nascent labor movements in Africa, Asia and South America should be made on a partnership basis through the ICFTU.

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Although the intimacy of the Adenauer/Dulles relationship was not recaptured, close alignment with the United States and reliance upon American presence and influence in Europe remained the keystone of the foreign policy of the Federal Republic throughout the year. If any evidence of the continuing staunchness of this position were needed, it could be found in the cool reception given by Chancellor Adenauer to the idea of a reduced role for the United States in Europe, implicit in the September proposals of General de Gaulle.

Nevertheless, at the close of the year, with the conversations between representatives of the two Governments on the problem of the American balance of payments, a cloud, somewhat larger than a man's hand, appeared on Bonn's horizon in the form of speculation, both in Bonn and later in Paris, that withdrawal of a part of the American forces now in Germany might be considered should the gold position of the United States not improve. Confidence in the American alliance and reliance upon the presence of American troops in force in Germany have, as remarked, been the very fundament on which Adenauer and his associates have based the international posture of the Federal Republic. The intimation that a reduction might be made in the United States military commitment in Europe created concern within the Federal Republic, the full extent of which has possibly not yet been completely revealed because of the advent of a new administration in Washington and the absence of any indication on its part of considering a reduction of forces in Europe as a possible solution to the financial problem.

The American presidential elections provoked public interest in the Federal Republic which even the Bundestag elections, scheduled for this year, will be pressed to match. The Kennedy-Nixon debates were broadcast both by radio and television, attracting large audiences, and the press gave wide coverage to the progress of the campaign. The Government, specifically the Chancellor, reacted sensitively to the situation created by the prospective change of administration in Washington, and caution and restraint characterized actions and public statements in the international arena. The Chancellor is known to have felt that the Federal Republic must avoid being placed in a position where it might be accused of provoking increased East-West tensions which might handicap or embarrass the new American Government. The regrets expressed to Soviet Ambassador Smirnov for embarrassment caused by remarks made publicly in his presence by Economics Minister Erhard, gestures toward improved Federal Republic-Soviet relations and recent conversations in Warsaw between Federal Republic and

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Polish representatives have all been attributed to the Chancellor's desire to set the best possible stage for President Kennedy as far as Germany and the German problem is concerned.

As for the election itself, behind a facade of rather studied detachment it was not difficult to discern, at least in the initial stages, a preference by the CDU for a Nixon victory and a comparable inclination toward Kennedy on the part of the SPD. This sentiment was reported by all of the Consulates General and was also evident in Bonn circles. Nevertheless, the result of the election was warmly received. President Kennedy's appointments were uniformly applauded. There was considerable speculation that a more sympathetic interest in the SPD would be shown by the new administration; the CDU consequently was scrutinizing rather jealously all omens which might be considered to bear on the future relations of the United States administration with SPD leaders. The likelihood of increased attention by the United States to areas of the world other than Europe has been sensitively noted and remarked upon in the Federal Republic but without creating any serious apprehension of a corresponding derogation of the importance of events and problems in Europe.

As this despatch is being written, the addresses and messages of President Kennedy and the early activities of his administration are monopolizing the front pages of the German press and prompting interest and admiration. It is, however, still too early to attempt to assess the degree of confidence which the German people as a whole feel in the future policies of the new administration toward Berlin or Germany. The development of these policies will be followed with close attention in the Federal Republic and probably with a more critical eye than heretofore. The self-assertiveness that is characterizing the German attitude toward economic and military questions is likely to become manifest in the political field. No major strain between Germany and the other NATO allies, and particularly with the United States, is to be anticipated, but the old almost automatic support of the Federal Republic for every American position and policy may no longer be taken for granted. German opinion will be expressed with increasing energy and with the expectation that it be heard with respect.

2. Germany and France

Although both Chancellor Adenauer and President de Gaulle continued to stress improved Franco-German relations as a major policy objective, actual relations were somewhat cooler.

This can be primarily attributed to those initiatives of General de Gaulle which pointed away from increased European integration and toward a pre-

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eminent position for France in Europe and free world councils. These French views ran directly counter to the politically-integrated Europe which Adenauer has set as the German goal. Nevertheless, it remained clear that the French Government continued to regard close Franco-German relations as essential to its European policy and national security, and that Germany attaches equal importance to good relations with France for the maintenance of an effective Western Alliance. Thus, the common security interests of the two countries should help assure a continued close relationship, even though it may have real ups and downs.

The Chancellor came away from his talks with de Gaulle in July depressed about the prospects for European integration, and concerned about the effects of de Gaulle's policies on future American participation in European defense arrangements. When the idea of making NATO a fourth atomic power began to gain currency, the Germans supported it, partly with the thought that this might persuade the French to abandon their plan for an independent "force de frappe" and thus maintain NATO solidarity. Concurrently, the Germans expressed readiness to discuss and implement French ideas about increased and improved methods for European political consultation, short of the establishment of new institutions. The Debre visit to Bonn in October helped clarify positions, but the Chancellor made it abundantly clear that the Federal Republic could not consider favorably any French proposals which might weaken the relationship between Europe and the United States, or which failed to treat the European partners as equals.

Despite these difficulties, leaders in both countries have continued to stress the Franco-German friendship as one of the most significant events of modern history, even though it is widely recognized that difficult times lie ahead. A striking illustration of Franco-German cooperation was afforded by agreements in late autumn between French and German military authorities, whereby, within the framework of the NATO military arrangements, certain German troop units were able to utilize French training areas without particular repercussions in French public opinion. Germany's continuing desire to be conciliatory toward France helped to assure a relative tolerance for certain French actions which were nevertheless publicly criticized. When the French Navy stopped a number of German ships in the Mediterranean toward the end of the year and searched them for possible contraband arms shipments to the Algerian rebels, German press comment was relatively mild, and official circles hastened to try to patch matters up in such a way as to avoid future incidents.

The Chancellor's own remarks in late November in Bonn about Franco-German relations, including particularly his frank admission of the difference in view about NATO, emphasized that these differences could not affect the

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strong friendship already existing between the two countries, and were widely and favorably hailed in France. It seems clear that Germany will continue to stand fast on those matters which it regards as involving basic principles affecting the strength and integrity of the alliance, but will not strongly oppose French demands which in its judgment will not basically impair NATO or the chances of ultimate European integration.

3. Germany and Great Britain

The year saw strong, vigorous and successful efforts from both sides to improve British-German relations, even though there were occasional stirrings of the old hostility against Germany among the British public. Increased German attention to improving relations with the United Kingdom was both a factor of Franco-German relations and a reflection of the Chancellor's conviction that more effective European integration was possible only in the context of a solution to the complex problem of European economic relations.

There continued to be a residue of German suspicion that the British might be unduly susceptible to Soviet peace overtures and somewhat shaky on Berlin. However, the remarks of the British Prime Minister on Berlin in New York during the General Assembly helped allay German doubts, although certain misgivings, primarily relating to tactics, remained. At the time the Western powers were considering possible countermeasures on Berlin, the Germans feared that the British were tending to drag their feet, and consequently were concerned that the USSR might misjudge the degree of Western determination on Berlin. Circumstances subsequently pretty well assuaged these concerns.

It was after the Chancellor's disappointing visit with President de Gaulle that Prime Minister Macmillan visited Bonn, and mutual efforts were agreed upon, the aim of which was to find some way to break through the European trade impasse. Exploratory discussions have made some progress toward defining the problems involved, and both Governments are optimistic that a solution can eventually be found through cautious and gradual negotiations. The Chancellor remains determined to find a solution to the European economic problem and has repeatedly emphasized that the British position must be fully taken into account within the Western European group.

4. Germany, NATO and German Rearmament

During the past year the Federal Republic increasingly sought to play a role in NATO councils more in keeping with its substantial military con-

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tribution. In its official statements, the German Government continued to emphasize that Germany's future freedom and defense rested squarely upon NATO, which should be strengthened to the maximum extent feasible.

During the course of the year, the Bundeswehr increased from 249,000 to 291,000 men. Two additional divisions were activated, making a total of eleven. During the year, the Ministry of Defense also decided on several new modern weapons systems, including Sergeant and the F104G, and concluded plans to produce in conjunction with other European nations the HAWK and SIDEWINDER missiles. In its consideration of weapons systems the Federal Republic placed increasing emphasis on mobility and firepower.

Two major problems continue to plague the German build-up. The first is the dearth of technically-trained military personnel. For political reasons the Government has continued to insist that an 18-month conscription period, in lieu of the present 12-month period, can be considered only after the national elections in 1961. The second is the continuing lage in the construction of airfields, supply depots, training areas, missile sites and permanent special ammunition sites needed to provide the shield forces with a tactical nuclear capability. German experiences in these areas have caused Federal Republic military authorities to place new emphasis on the need for effective NATO-wide integration of command, supply and logistics and has led the Government to work out provisions with neighboring countries, particularly France, for use of land for training and for depots.

The Federal Republic responded enthusiastically to the reports early last autumn that the U.S. would be submitting proposals to the NATO Ministerial Meeting in December to make NATO a fourth nuclear power. The Germans continue to believe that some way must be found for the Western European members of NATO to have a voice in the control of nuclear weapons to be used in defense of NATO. Germany further supports the idea that NATO's conventional forces should be strengthened, although official circles remain doubtful whether any limited conflict in Europe is possible.

Military planners were only partially successful in 1960 in mobilizing the political and economic resources of the nation to support defense measures. The military budget was increased from an annual level of DM 10 billion to DM 11.1 billion. On the other hand, government efforts to amend the Basic Law to provide legislative sanction for measures and institutions to mobilize the civil sector of the nation in case of emergency failed in Parliament.

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5. Eastern Policy and Berlin

During most of 1960, German policy toward the USSR, the satellites, and the GDR, was dominated by the continued Soviet threat to Berlin and by the German desire to preserve the status quo. All major foreign policy pronouncements reaffirmed the necessity for Western firmness on Berlin. Up to the abortive May Summit meeting, during which period Adenauer and the Federal Republic were subject to a drumfire of Soviet propaganda designed to isolate the Federal Republic from its Allies, the Government took a militantly firm position on Berlin. There continued to be fears in high quarters that something might be given away at that meeting to Berlin's or the Federal Republic's disadvantage, and that Germany might have to pay the price for a brief period of detente. Therefore, the scuttling of the meeting by Khrushchev was greeted in Germany with satisfied relief. At the same time there was apprehension about the implications for the future of Khrushchev's behavior.

Upon the collapse of the Summit and with the subsequent increasing crescendo of Soviet-GDR accusations against the Federal Republic and the Western Allies concerning alleged Bundeswehr recruitment in Berlin and various charges of the Federal Republic's legislating for Berlin, the Federal Government tended to avoid any actions which might exacerbate the USSR. When Khrushchev threatened in Vienna in July that holding a Bundestag meeting in Berlin would be ample reason for negotiating a separate treaty with Pankow, the Government and Bundestag under Adenauer's leadership discreetly acted to postpone such a meeting indefinitely. Soviet pressures continued to mount in August-September with a series of GDR decrees and threats which imposed new documentary requirements for access to East Berlin and interfered with travel between the city and West Germany. Soviet and bloc propaganda continued into October to attack the Federal Republic as revanchist and militarist.

Domestic political considerations entered the picture early in the summer as the SPD, after the Summit debacle in Paris, began under Wehner's leadership to take a much harder line of policy toward the East. Willy Brandt, the prospective Chancellor candidate of the SPD, adopted a tough posture toward the USSR and East Germany over issues relating to Berlin. This required an increasingly strong public stand on the part of the Chancellor and the CDU who could not for domestic political reasons appear less strong than Brandt and the SPD on issues relating to Berlin's security.

East German harassments culminating in the September 8, 1960 decree on intersector controls within Berlin prompted the major initiative of the

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year in German Eastern policy. This was the denunciation on September 30, 1960, of the 1951 Interzonal Trade Agreement. This step had an immediate perceptible impact on the East German economy and demonstrated that the Federal Government could, at least at present, take effective economic measures to counter Communist political harassments of Berlin. After lengthy negotiations, the 1951 IZT agreement was reinstated. In a related secret understanding reached December 29, the Federal Republic obtained certain assurances about improved conditions of access to Berlin, although de jure removal of the September 3 decree was not achieved.

A process of improvement in West German-Soviet relations appears to have begun in October, when Adenauer wrote a letter to Khrushchev which was followed by the latter's alleged moderation of a scheduled attack on the Federal Republic in a speech of October 20. There is little doubt that Adenauer's better position vis-a-vis the USSR is in some measure an outcome of a Soviet decision that for the present prospects are not good for influencing German thinking through contacts with Brandt and the SPD. The probable major factor affecting German-Soviet relations, however, has been the Soviet desire to calm the international atmosphere at least in Europe as a preliminary to establishing contact with the new American administration. The circumstance that the USSR found it expedient to acquiesce in the Federal Republic's unilateral assertion of its understanding that the Federal Republic-Soviet trade treaty, finally signed December 31, 1960, would apply to Berlin, additionally appears to reflect real economic need for West German imports, the continuation of which will greatly help the seven-year plan. On the German side, anticipation of possible changes in American policy during 1961 also played a role. From this standpoint, readjustment of connections with the USSR represented a prudent precautionary step.

Meantime, there is no evidence that the Chancellor's appreciation of fundamental over-all Soviet intentions has changed. Nevertheless, he must be gratified that he has succeeded somewhat in withdrawing the Federal Republic from the limelight of Soviet attack, concerning the effect of which there was evidence that he was alarmed in 1959 and 1960. As part of his broader goal of maintaining the long-prevailing balance in Central Europe, the Chancellor continued privately to urge that general controlled disarmament receive priority attention in any future negotiations at the top.

Late in December, there were indications of a possible re-shaping of the Federal Republic's relationship to Poland. This is reported to have been stimulated by a belief in Government circles that the new American administration would seek closer ties to Poland and welcome a comparable German step. Krupp's Berthold Beitz visited Polish leaders and reported

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to the Chancellor upon his return. Moreover, refugee leaders appeared to take a less negative position toward some form of improved relations with Poland. This was in line with the reputation for moderation which the refugee organizations under Kruger's leadership have been seeking to establish throughout the year. However, refugee spokesmen also displayed some uneasiness that the Government might move so far as to endanger the foundations of its position on the Oder-Neisse line. As the year ended, it appeared that the Government would move cautiously in this matter, especially in an election year when refugee votes must be taken into account.

6. Germany and the Developing Countries

Increasingly during 1960, the Federal Republic took an active interest in the possibility of enhancing its stature as a world power by the demonstration of substantial influence outside the European-North American area. At the same time the more immediate objectives of West German activity in the developing countries of Africa, Asia and Latin America continued to be: 1) garnering support for the Western policies on Berlin and reunification, and, concomitantly, 2) keeping non-Communist countries from recognizing East Germany, and (3) furthering German commercial self-interest (although increasing consideration was given to extending financial aid on a more liberal basis).

The appearance during 1960 of seventeen newly-independent countries on the African scene offered both possibilities and hazards. In each case diplomatic missions were accredited on the first day of sovereignty, special representatives - often of Cabinet rank - visited the new countries, and exchanges of all kinds of delegations were carried out. In public statements designed for African consumption, the Germans proclaimed their relief at having lost their colonies in 1918, and emphasized that a significant portion of their aid funds would be earmarked for the newly independent states. By a combination of diplomatic and economic activity, the Federal Republic in 1960 maintained a lead in each African country over its arch rival, the G.D.R. (For example, it was able to prevent the recognition of East Germany by Guinea.) In fact, the Federal Republic believes it is building good will on the black continent, although it realizes that most African leaders will reserve final judgment until they see how much aid they actually receive.

Apparent German emphasis on close collaboration with, and aid for, French Africa, especially Togo and Cameroun, has met with opposition from France, which objects to being supplanted in what it still considers to be French areas of influence. It can be expected that friction between the

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Federal Republic and her ex-colonial NATO partners will increase as Germany strives for ever-greater influence overseas.

This holds true also for the Middle East and Asia and perhaps even Latin America - in all of which areas the Federal Republic continued to be active in 1960. German investments in and exports to these continents increased. Chiefs of Government or State from Peru, India, Argentina, Thailand and Malaya visited Bonn. The Federal Republic maintained its substantial aid to India by providing 60 million dollars of long-term credits, negotiated the delivery of a steel mill to Iran, and discussed the possibility of supplying a nuclear reactor to the USSR. Achenauer went to Japan, Brentano to India and Pakistan and Latin America, and Erhard twice visited the Middle East.

As important as this governmental activity were the attempts to awaken popular enthusiasm among the West Germans themselves for Bonn's increased emphasis on the developing countries. The Laender, the various political parties, the churches, the labor unions, the information media, industry, all participated in this program by convening discussion groups, holding charity drives, and creating innumerable private or semi-public organizations for channeling German aid and influence to the "have nots". It is hard to evaluate the actual enthusiasm of the population for aid to the developing countries. Politicians say that as an issue it lacks voter appeal. Without U.S. encouragement it is questionable whether the Federal Government would have reached the decision in 1960 to establish a three-quarter of a billion dollar program of untied loans for foreign economic development, from non-recurrent sources; this represented a significant advance over its previous emphasis on export guarantees and multilateral assistance. Only after the coming national elections will it be clear how much of a tax burden the Federal Government is willing to impose to put the program on a continuing basis. There is every indication, however, that the Federal Republic will make every effort to extend its economic and political influence in Africa, Asia and Latin America.

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